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**PUBLIC HEARING SIGN-UP SHEET**DATE/TIME: April 25, 2007 @ 6:00PMSTAFF: CC, JC, LK, SI, BGKCITY/ISLAND: Kahului, MauiPLACE/ADDRESS: Lihikai School Cafeteria, 335 S. Papa Avenue, KahuluiDKT.NO./APPLICANT: Dkt. No. 2006-0387, MECOSUBJECT: Approval to Rate Increases and Revised Rate Schedules**(PLEASE PRINT)**

	NAME	ORGANIZATION/ADDRESS
1.	Edward Reinhardt	Mami Electric Company Ltd.
2.	Catherine Aniakuni	Division of Consumer Advocacy
3.	MIKE GRESHAM	KAHAWA WIND POWER
4.	KAL KOBAYASHI	COUNTY OF MAUI
5.	Warren Shibuya	Self

**Maui Electric Company**  
**Public Hearing Statement**  
**Docket No. 2006-0387**  
**MECO Application for a Rate Increase**

**April 25, 2007**  
**Lihikai School Cafeteria, Kahului**

**Introduction**

Good evening Chairman Caliboso, Commissioner Cole and members of the audience. My name is Edward Reinhardt and I am President of Maui Electric Company.

Let me begin by thanking all of our customers who came tonight to share their thoughts. It is important for us to know what is important to all of you.

We know that any rate increase is not a happy event for any customer and we, therefore, never make the decision to apply for one lightly. We also, however, need to do the right things by our system, especially in maintaining reliable service, and unfortunately, that sometimes means rate increases.

Millions of dollars have been invested in the current Maui Electric facilities. Since MECO's last rate increase eight years ago, we have installed two new generating units at the Maalaea Generating Station that will enable us to continue to provide reliable electric service to our growing communities on Maui. We have an obligation to keep that system maintained and in good working order for our customers; and we will do so.

So with that as a background, let me discuss the specifics of this particular rate increase.

Tonight, I will briefly cover how much of an increase we are asking for, what the increase will be used for, and how it will affect customer bills. In particular, I want to explain the innovative new rate structures we are proposing to help minimize the impact on lower income families and those who conserve energy.

**How much of an increase is MECO requesting and how will it be structured?**

MECO is requesting an overall net increase of 5.3% or \$19 million in base revenues. However, we have proposed opportunities for customers to save money and to fairly shift more of the responsibility to those who contribute the most to high electricity costs.

First, we are asking the Commission to approve a residential tiered rate structure so those who use less electricity will pay lower rates. Under this plan, the majority of customers on Maui will see smaller monthly increases in their electric bill, in the range of 2% to 4.4%. Those who use a lot of electricity will see larger increases in their monthly bill, for example, approximately 6.6% for a residence using 2,000 kWh. This new tiered system encourages energy conservation and efficiency and rewards customers who use energy wisely. We have proposed similar rate structures for the Big Island and Oahu.

At the same time, recognizing that some low-income families have large households with higher electricity use, we are also developing a provision to cap the electric rate applied for certain low-income households so that the tiered rate system does not unduly burden these families.

Second, to encourage use during off-peak times when power generation reserves are greater, the proposal also includes a voluntary time-of-use rate option

for residential and commercial customers, which would provide lower electric rates for off-peak usage times and higher electric rates for peak usage times.

**Why is a rate increase needed?**

The major reason for this requested increase is the addition of the M18 and M19 generating units at the Maalaea Generating Station. The installation of M19 in September 2000 and M18 in October of last year completed the final phases of a three-phase Dual-Train Combined Cycle project. In addition to providing an increase of 58 megawatts of capacity to MECO's generating system, M18 requires no additional fuel oil, producing power from the waste heat of combustion turbines M17 and M19. The requested increase would also cover other investments in the MECO electric system to replace and upgrade aging equipment.

Our responsibility to provide reliable electrical service on Maui requires us to ensure proper maintenance of our electrical equipment and facilities. This includes more frequent inspections of utility lines and poles, increased vegetation management to keep our lines clear of trees and brush that could cause service outages, and proper servicing of our power generators.

**What is the effect of the rate increase on customer bills?**

What most of our customers will want to know is "how will this increase affect my electric bill?" If approved, MECO's tiered-rate structure would provide smaller percentage increases for those who use less electricity. For example, if the full request is approved, a "typical" residential customer on Maui using 600 kWh a month would pay \$7.78 more, or about a 4.5% increase instead of the overall 5.3% increase.

Again, the tiered system we are proposing is intended to encourage conservation and lessen the impact on residential customers who use smaller amounts of electricity. If approved, we anticipate the earliest a rate increase might take effect is in late 2007.

**Conclusion**

Thank you for this opportunity to briefly describe our rate increase application. As I mentioned earlier, we will be available after the public hearing to answer your questions and concerns.

**PUBLIC HEARING  
MAUI ELECTRIC COMPANY, LIMITED  
DOCKET NO. 2006-0387**

**Presentation of Catherine P. Awakuni, Executive Director  
Division of Consumer Advocacy  
Wednesday, April 25, 2007, 6:00 P.M.  
Lihikai School Cafeteria**

Good evening Chairman Caliboso and Commissioner Cole. I am Catherine Awakuni, Executive Director of the Division of Consumer Advocacy ("Division"). The Division represents the interests of the consumers in public utility matters. To that end, I am here this evening to listen to the consumers' comments and concerns regarding Maui Electric Company, Limited's ("MECO") request for approval to increase its rates and revise its rate schedules.

The Consumer Advocate's role is to represent the interests of all Hawaii consumers of public utility services by advocating for reliable utility services at reasonable customer costs. To do this, the Consumer Advocate is taking an independent look at MECO's request for Public Utilities Commission ("Commission") approval of its rate increase. We will confirm whether there is a need for the proposed rates and whether the rates proposed are necessary to ensure the provision of reliable service. After completing our review, we will file direct testimonies with the Commission explaining our analysis and recommendations. At this time, the Consumer Advocate has not completed its analysis and is not able to state its position on the merits of MECO's request this evening.

If this application goes to an evidentiary hearing, the Division's analysts and consultants who submit direct testimony will have an opportunity, as witnesses, to orally summarize their written testimony before the Commission, and because an evidentiary hearing is a quasi-judicial proceeding, the witnesses will be subject to thorough

cross-examination by all parties. Following the contested case hearing, the parties will summarize their positions in post hearing briefs.

The Commission will ultimately decide whether to allow MECO to proceed with its request and we encourage the public to express their opinions to the Commission regarding MECO's proposal. Your input is important because only you can tell us what effect the company's proposal may have on you and the businesses you may represent.

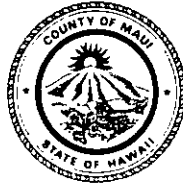
As we move forward, please feel free to contact the Division's office at anytime to share your thoughts, concerns, and questions regarding this or any other utility matter.

Thank you for the opportunity to make this presentation.

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## DEPARTMENT OF MANAGEMENT

COUNTY OF MAUI  
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### TESTIMONY OF THE COUNTY OF MAUI RELATING TO DOCKET NO. 2006-0387 AND PERTAINING TO MAUI ELECTRIC COMPANY'S PROPOSED RATE INCREASE AND REVISED RATE SCHEDULE AND RULES

APRIL 25, 2007

Good evening Chairman Caliboso, Commissioner Cole, and commission staff. My name is Kal Kobayashi and I work for the County of Maui Department of Management. I'm speaking this evening is on behalf of the County of Maui and our testimony focuses on rate design issues. The County takes no position on the magnitude of MECO's requested rate increase.

The County welcomes MECO's proposals for tiered residential rates. However, we question whether it will have any significant consumer impact because the price of the highest tiers are only about 1.35 cents per kilowatt-hour more than the lowest tiers. Therefore, we offer the following recommendations:

- Consider reducing the price of the lowest tier. The lowest tier, 0 to 350 kWh, serves as a "lifeline" rate for low income residential ratepayers. The kilowatt-hour size of this tier appears reasonable, but the County feels that consideration should be given to lowering



the rate of this tier to maximize cost savings for the low income sector. In concept, a low “lifeline” rate mitigates the need for other low income programs.

- Consider directing MECO to complement the “lifeline” rate tier with low income demand-side management and public information programs and to roll-out said low income programs in conjunction with the introduction of the tiered residential rates.
- Consider raising the rate of the highest tier, or consider adding one or two more higher tiers, to address high usage residential ratepayers, particularly those with air conditioned homes. For example, Pacific Gas and Electric has five residential tiers, with the highest tier being approximately twice the rate of the lowest tier.
- Consider directing MECO to complement the highest rate tier with DSM and public information programs, such as insulation rebates and load control programs, to address air conditioning and other high energy end uses. Further, consider directing MECO to roll-out said high energy end use programs in conjunction with the introduction of the tiered residential rates.
- Consider directing MECO to analyze the cost effectiveness of residential DSM programs in the context of tiered rate structures. We feel that a high rate tier can be an effective policy tool in promoting energy efficiency.
- Consider directing MECO to analyze the cost effectiveness of residential demand-side distributed generation programs, such as rooftop photovoltaic systems, in the context of tiered rate structures. We feel that a high rate tier can be an effective policy tool in promoting photovoltaic and other distributed generation systems.
- Consider directing MECO to revise its tiered rate structure, per the above

recommendations, in a revenue neutral manner.

The County also welcomes MECO's proposed time-of-use rates for residential and commercial ratepayers. The County is a little concerned that the subscription levels for the proposed time-of-use rates will be low, as we understand is the case with the existing time-of-use rate schedules. Accordingly, the County suggests that the Commission consider making the proposed time-of-use rate schedules more user friendly by reducing or eliminating the priority peak and mid-peak charges.

The County feels that it is very important to use rate design as an IRP resource to support technology-based demand-side management programs. MECO apparently shared the County's position in 1991, when MECO testified to the following in the Commission's docket instituting a proceeding to require energy utilities in Hawaii to implement integrated resource planning (Docket No. 6617), "(R)ate design or the pricing of the utility's service complements the technology-based demand-side options for load shifting, load management, or peak clipping purposes. Appropriate pricing or rate design is one of the key determinants of the cost-effectiveness to customers of demand-side options which require initial customer investments. Rate design could be used in the IRP as a valuable tool to increase customer participation in demand-side management programs. Rate design could also offer a valuable and cost-effective alternative to technology-based demand-side programs for achieving the same DSM objectives." Unfortunately, MECO changed its position in 1992, during MECO's IRP-1 cycle, and they do not incorporate rate design-based DSM resources in the IRP process. Therefore, the County

recommends that the Commission direct MECO to promptly take up this matter in its current IRP-3 cycle. Matters to be discussed include: the goals of inclining rate block structures and time-of-use rates structures, the number of appropriate rate blocks, the appropriate rate for each block structure, estimates of the impacts of the rate structures, the cost effectiveness of DSM and distributed generation in relation to various rate blocks, new low income and air conditioning DSM programs to complement the proposed rate structures, and public information programs to educate the public on the new rate structures and the measures available to mitigate potential cost increases. The County recommends that the current IRP-3 cycle should be used to evaluate rate design options, complementary DSM programs, and public information programs, so that a comprehensive public outreach program can be conducted in conjunction with the establishment of the new rate structures. This will also allow the public and MECO's IRP Advisory Group the opportunity to provide meaningful input.

The County also recommends that the Commission direct MECO to reconfigure the energy charge in Schedule "F", Public Street Lighting, in order to make it user friendly. The current rate structure bifurcates the charge by a load factor, which means that a customer needs to know the amount of the connected load in order to calculate the energy charge. This approach seems unnecessary, especially for the County with hundreds of street lights on a bill. Instead, we recommend that a single energy charge be specified.

The County concludes its comments with a few related matters. First, we recommend that the Commission direct MECO to post its current and proposed rates on its website. This will

facilitate the public's understanding of what is being proposed. Second, we recommend that the Commission direct MECO to improve its billing information by identifying the amount and type of resources consumed by the customer. This will facilitate the public's understanding of the environmental impacts associated with their energy usage.

The County of Maui appreciates the opportunity to provide testimony on this important matter and I'm willing to respond to any questions that you may have. Thank you very much.

Testimony to PUC, Lihikai School, April 25, 2007

Good evening members of the Public Utilities Commission. I am Warren Shibuya, a retired Maui resident. I do not represent any business. I want Maui and Hawaii less dependent on fossil fuels. Mahalo for allowing me to testify. I ask PUC three things.

1. As you know, our electric rates depend on vagaries of market determined costs for fossil fuels and MECO efficiencies from their electric power generating operations, systems and administrations.

2. For statewide renewable energy cap, PUC please raise statewide cap of 0.5% to 2.5% of peak electricity generating capacity and extend through 2012. More Hawaii State residents should install renewable energy generators using sun and wind energies. PUC raised cap allows public to safely generate a reasonable amount of renewable electricity and share with utility customers. Most importantly, PUC raised cap demonstrates an Earth-friendly and righteous commitment to distributing renewable produced electricity for Hawaii.

3. PUC, please recommend increasing State incentives, retroactively raising tax credits to \$9,000 for home photovoltaic (PV) generator systems. Five main reasons are:

- a. Initial photovoltaic installation investments are large. A small family sized PV system costs between \$20-38K for 3.2-4.8 kWh systems.
  1. Today's 35% tax credit, capped in 2005 at \$1,750 is actually 8.75-4.6%
  2. This same 35% tax credit, capped mid-way 2006 is actually 25-13.2%, incentives still short of intended 35% tax credit rate.
- b. Today's homeowners "want to do the right thing." Homeowners must 'venture into unfamiliar waters' and need investment help because worldwide demand for limited manufactured PV modules are boosting unit prices. One-time \$9K state tax credit is a wise and worthy long term investment. Tax credit of \$7K-9K will raise quality of life in Hawaii and minimize a household or family's burden on Earth environment.
- c. Systems costing between \$20-38K generate about 300-450 kWh per month of sun-generated electricity, below Maui's 600 kWh average home electricity demand. A small PV system could provide a conservative cost-avoidance of about \$74-\$110 on monthly home electric bills or about \$1,100 each year. PV benefits Hawaii's life qualities during a family's life.

- d. PV systems provide MECO and utilities with immediate fuel savings and delays land acquisitions, systems and facilities expansion expenses.
- e. If homeowners do not install PV system now, they may not be able to afford later or may need larger tax incentives! In 2004, manufacturers of PV modules had about 6 month production wait list due to significant numbers of buyers from Germany, Japan and Spain and a concomitant price increase.

Converting sun's radiant energy and delivering clean electricity reduces our "Earth pollution footprint."

- This past year a home PV system generated 8,600 kWh of electricity. Conservatively, MECO did not use 14 barrels of diesel fuel to generate this electricity! Imagine 1,000 Hawaii homes with PV systems avoiding 14,000 barrels of fossil fuel, annually, then over 20 years, a generation! (Each barrel is 55-gallons X 14,000 barrels = 770,000 gallons, saved annually. You do the "avoidance math," computing gallons consumed for generations.) What are associated manpower costs?
- This PV model eliminates oceanic and island transporting, handling, trucking and storing manpower, facilities and expenses which are passed onto electricity users! We depend on you PUC members to vision "beyond-the-horizon," "doing the right thing" to benefit both Hawaii families and Earth environment!
- Today's economics seeks 'payback.' PV payback accelerates with every MECO rate increase. If you like paying \$17.06 per month to MECO and apply a State tax credit; you must install a PV system, avoid sizeable monthly electricity costs AND malama Earth environment and Aina! Future payback could be punishing next generation.

Remember, science of economics lacks answers describing cost-impact after resources all consumed. After you consume and expend fossil fuel resources today, "What are follow-on energy costs on future generations?" "How are we "paying back" (punishing consumers) or investing in renewable energy uses for future generations?" We have no choice, we must displace petroleum generated electric power and install renewable energy systems, starting year 2002!

Mahalo,  
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